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SUBJECT: Parliament Approves Vodafone Acquisition  
of Ghana Telecom after Spirited Debate

Ref: Accra 904

¶1. (U) Summary: Ghana's parliament on August 14, 2008 approved by a majority vote the \$900 million sale and purchase agreement between the Government of Ghana and Vodafone International Holdings B.V. for the acquisition of 70 percent shares of Ghana Telecommunications Company. The debate before the vote was largely along partisan lines. Reactions from the public after the approval were mixed as some sections of the public oppose the sale of the shares, others think the sale value is not enough, and those who support the deal think it is the best for Ghana.  
End Summary.

¶2. (U) On July 3, Vodafone announced that it had agreed to buy 70 percent of Ghana Telecom (GT) at USD 900 million but the acquisition was subject to approval by Ghana's parliament. Parliament, however, failed to ratify the deal before going on recess on July 18, 2008 because an amended version of the agreement which was re-laid was done too late for the house to consider. For the USD 900 million, Vodafone will get an QEnlarged GT GroupQ, which is the GT Group together with FibreCo. FibreCo is the National Communications Backbone Company Ltd., which owns all the fiber optic network and assets of Voltacom and assets of a new fiber optic network being laid with a Chinese EX-IM loan. Vodafone is acquiring the shares on a debt-free, cash-free basis. After netting the cash and debt of GT, which is estimated to be USD 400 million, the net cash GoG expects is about USD 500 million. The GoG is still expected to complete the ongoing fiber optic network from Kumasi to Sunyani.

¶3. (U) As expected, parliament was recalled from recess on August 12, 2008 to ratify the agreement. The house was sharply divided over the sale, with the ruling New Patriotic Party members explaining the Vodafone deal was the best for the nation, while the minority National Democratic Congress members calling the sale price a pittance. The minority leader in parliament described the deal as "buy-one-get-five-free." According to him, South Africa Telecom had made an offer of \$947 million for Ghana Telecom minus the fibre optic cable network which has been added to the Vodafone deal. The NPP, however, said the SA Telecom offer came in too late and the payment was going to be spread over a longer period. The minority also argued that the entire process was not transparent because government failed to invite other bidders when it increased GT's assets significantly. While the majority side explained some of the terms and conditions in the agreement, considerable time during the debate was spent on what they saw wrong with the sale of 30 percent of GT to Telekom Malaysia in 1997 by the NDC when it was the ruling party (the sale was later reversed under the NPP at considerable cost to Ghana Telecom).

¶4. (U) The Convention Peoples Party, a smaller minority party, and other pressure groups outside the house have

opposed sale of the shares of GT, arguing that the national asset must be salvaged and protected from any foreign interest. A group also filed a suit in court to prevent the sale. One pressure group, the Committee for Joint Action, with the NDC presidential candidate John Atta Mills participating, picketed outside parliament urging members not to support the agreement. Some workers of GT have also demonstrated in support of the agreement.

¶5. (U) As expected, voting was largely along party lines. The majority won the vote, 124 to 76. Although, the majority was elated, public reaction to the deal was mixed. Reactions still reflect the positions of the three groups.

¶6. (SBU) Comment. Minister of State of Finance Dr. Anthony Akoto Osei was pleased and relieved. The expected proceeds from the GT sale have been included in the GoG budget for the last two years and the revenue is sorely needed as the fiscal deficit rises. The GoG also badly needs foreign exchange inflow to shore up the Ghanaian currency which has, over the last four months, depreciated at a faster rate than in the last six years. Dr. Osei expects the deal to be concluded in a month. Vodafone expects to begin work soon and will make its presence felt in the last quarter of the year. Analysts expect some exciting times for mobile phone service users in Ghana with the entrance of Vodafone, Zain/Celtel, and Globacom into the Ghanaian industry. End comment.

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